

The Terpercaya Initiative

Testing Terpercaya indicators of district sustainability

Highlights

- The second phase of the Terpercaya Initiative, launched in November 2019, focuses on collecting data for the 22 agreed indicators and establishing a national database for collating and disseminating information on the sustainability of Indonesian districts. The Terpercaya approach offers a simplified, broad-scale methodology to help resolve trade-offs between environmental protection and commodity production, including palm oil production, by creating incentives for sustainability.
- The Terpercaya indicators, developed through a comprehensive legal assessment and multistakeholder process, will be used by the Indonesian Ministry of Development Planning to track the performance of districts as they progress towards sustainability.
- The indicators will also support assessment of progress towards priorities included in the Indonesian Government's 2020-2024 National Medium-Term Development Plan.
- Indicators will also be refined to monitor the sustainability of all commodity production while tracking food security, environmental and social performance, and the economic competitiveness of Indonesian districts.

Background

By creating incentives for sustainable production, the Terpercaya approach has the potential to resolve the trade-offs between commodity production and environmental protection, including the production of palm oil. The approach relies on synergies between government authorities and different actors to achieve common goals. Democratically elected local governments play a central role as they have both the authority and legitimacy to issue regulations and policies for sustainability. More importantly, local governments have the authority to monitor and enforce laws and regulations underpinning the transition towards sustainability.

The Terpercaya Initiative was designed to identify methods to monitor the sustainability of agricultural commodity production at the subnational level and develop an applied jurisdictional approach. The Initiative enables the development of incentives for district governments to support sustainable land and forest governance, as well as disincentives for not doing so. It also aims to create an enabling environment for investment in competitive, ethical, and environmentally friendly agricultural and forest commodity production.

Through a collaborative process involving a multistakeholder advisory committee, the first phase of the Terpercaya Initiative developed 22 indicators. The indicators are based on Indonesian laws and regulations and are aligned with the Sustainable Development Goals (SDGs) and the Paris Agreement on climate change. They are tailored to evaluate district performance and demonstrate sustainable and inclusive commodity production and its benefits. The Terpercaya indicators also support implementation of laws and policies that underpin certification schemes of sustainable agricultural commodities, such as the Indonesian Sustainable Palm Oil (ISPO) standard.



**Peat swamp in the
Pelalawan District,
Riau, Indonesia**

Photo: Satrio Adi
Wicaksono, EFI

Key developments

In October 2019, the Ministry of National Development Planning adopted the Terpercaya approach to monitor and measure the performance of Indonesian districts in achieving national priorities and the SDGs. The Ministry's decision is based on recognition of Terpercaya's potential to support several national priorities included in the National Medium-Term Development Plan, 2020-2024:

- National priority 1 - Strengthening economic resilience for quality growth
- National priority 2 - Regional development to reduce inequality and ensure equal distribution
- National priority 6 - Bolstering the environment, improving resilience to disaster and climate change

Cutting across sectors and line agencies, a jurisdictional approach to achieving these priorities can help ensure their inclusion in subnational government planning, and support comprehensive action at the district level.

The Terpercaya Initiative is entering a second phase, with focus on building the system for collection and dissemination of Terpercaya indicator information at the national level. Efforts to collect indicator data that is unavailable at the national level will centre on a small number of focal districts. This test phase is planned to run until March 2021.

Planned activities

The following activities are planned during the second test phase of the Terpercaya Initiative:

Conduct data collection trials for the 22 identified indicators

Re-examine the indicators based on the trials' results and continued multistakeholder dialogue

Develop an online platform for collating and disseminating information on the indicators to communicate regional performance in achieving sustainable production of agricultural commodities across Indonesia

Establish market and stakeholder acceptance of the Terpercaya approach through public communication channels

Benefits of Terpercaya

The Terpercaya indicators are designed to meet multiple needs. At the subnational level, the indicators should enable districts to measure and progress towards sustainability and inclusiveness in commodity production. At the same time, the central government can make use of the monitoring system to provide incentives to local governments in achieving sustainable and inclusive agricultural development, as well as disincentives for not doing so.

Additionally, Terpercaya can function to improve acceptance of Indonesian agricultural products in global markets and ensure that civil society, consumer countries, investors and commodity buyers are well informed. Furthermore, Terpercaya can support the private sector in meeting sustainability commitments and smallholders in accessing expanding markets for sustainably produced commodities. Using Terpercaya (**Figure 1**), buyers of agricultural commodities and investors can determine which districts to interact with and undertake due diligence so that the principles of sustainability are upheld.

By covering entire districts, Terpercaya should help create a level playing field for all producers, including certified and non-certified actors, companies with and without sustainability commitments, and smallholders of all types. By extending across the whole of Indonesia, Terpercaya can also complement existing district-level initiatives by providing broad-scale support for districts' efforts to increase competitiveness and attract sustainable investment.

Figure 1. Illustration of Terpercaya monitoring of farmers' productivity level indicators

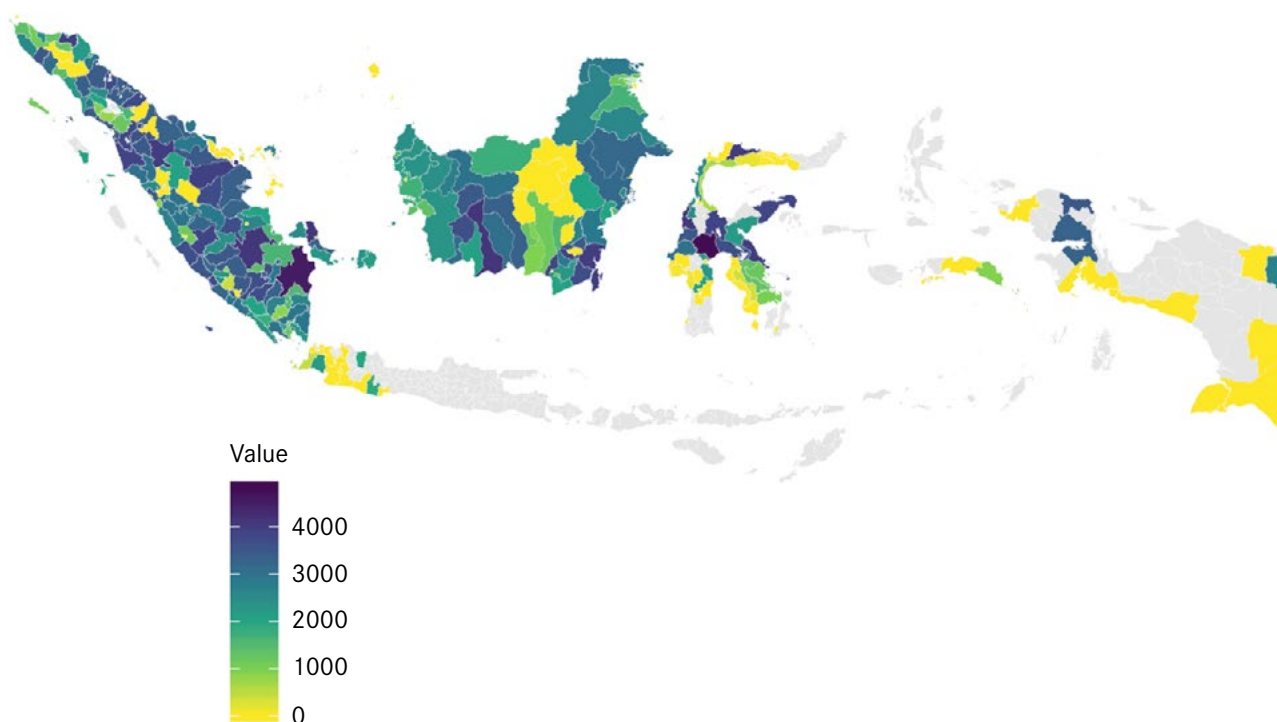
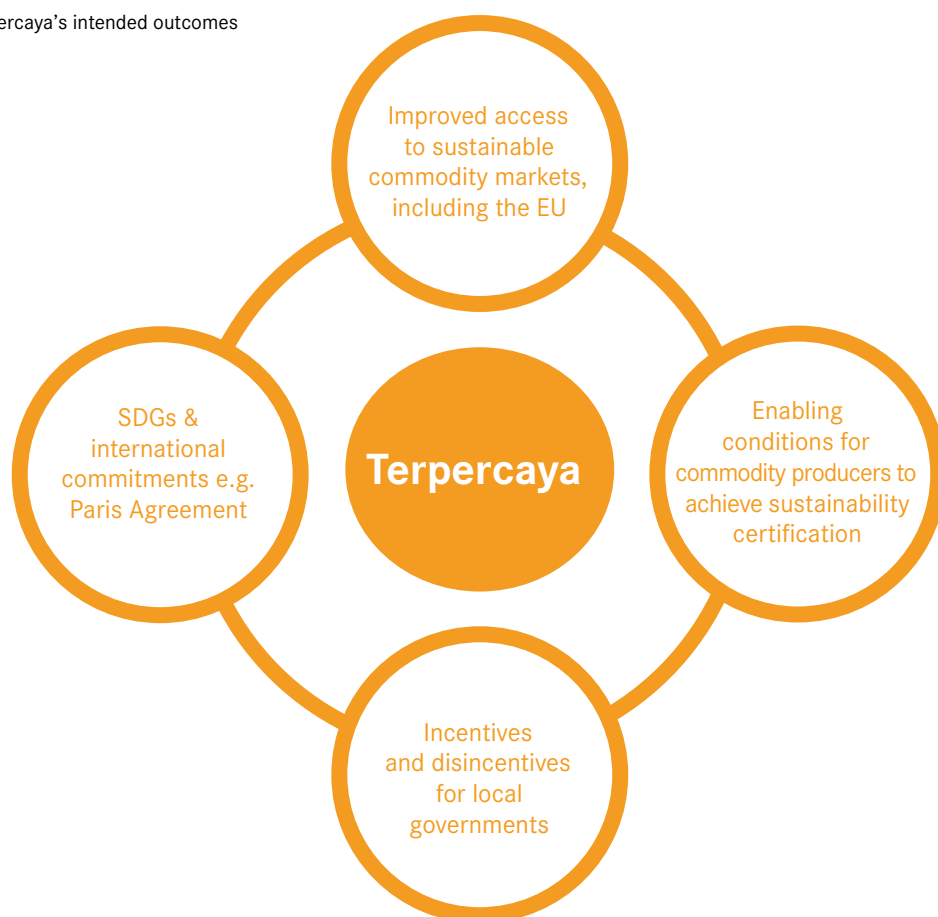


Figure 2. Terpercaya's intended outcomes



Expected outcomes of the Terpercaya Initiative phase 2

1. A blueprint to guide sustainable and inclusive production and trade of agricultural commodities.
2. Incentives for local governments to create enabling conditions for farmers and producers of agricultural commodities so they can achieve certification, for example by ISPO, the Roundtable for Sustainable Palm Oil, the Global Platform for Sustainable Natural Rubber, the Sustainable Rice Platform, the Better Sugar Cane Initiative, the International Fairtrade Certification Mark, or the Rainforest Alliance Sustainable Agriculture Standard.
3. Improved information availability for the central government to formulate policies and provide incentives for local governments to support improved land governance and sustainable agricultural production, as well as disincentives for not doing so.
4. Improved information availability for dialogues between the European Union and Indonesia concerning sustainable commodity production and efforts to encourage sourcing of commodities from districts transitioning towards sustainability where land-use change is minimal.

Commodity production and SDG 2: Zero Hunger

Debates about tropical commodity sourcing are currently framed around environmental and human rights impacts. The SDGs, in particular SDG 2, encourage consideration of commercial commodity production systems as just one component of sustainable rural production.¹ To move beyond assessment of commodity production systems solely according to economic benefits and gross domestic product, we need to examine how rural production benefits communities within the areas of production.

Nutrition, food security and crop diversity are of central importance to rural communities and the production of commodities should not undermine access to nutritious and diverse sources of food. As we move forward with the second phase of the Terpercaya Initiative, we will explore indicators demonstrating that commodity production complements rural production systems that supply food to rural and urban communities.

Harvesting nutmeg

Photo: Jeremy
Broadhead, EFI



¹ SDG 2: Zero Hunger – especially, targets 2.4 and 2.5
<https://www.un.org/sustainabledevelopment/hunger/#tab-6f500e1aa274b23d96d>



**Oil palm and
pulpwood
plantations in
Indonesia**

Photo: Iddy Farmer,
CIFOR

Enabling green investments

The pathway to sustainable and inclusive production of commodities should not inhibit economic growth. Rather, it should encourage the development of sectors and industries that are beneficial to the environment and rural communities. Conversely, improving the enabling conditions for regional investments should not mean removing social and environmental protections. A balance needs to be found between improving the enabling conditions for investments while ensuring social and environmental protections.

As part of the second phase of the Terpercaya Initiative, we will explore how to incorporate indicators of ease of doing business that promote green and inclusive growth. Analyses of the collected Terpercaya indicator data will also inform policy makers, district governments, the private sector and other stakeholders about key characteristics of sustainable districts and support efforts to accelerate progress and increase investment and sourcing in other districts.

Cover image: Palm oil plantations in East Kalimantan, Indonesia. Photo: European Space Agency

More information at info.terpercaya@efi.int

Disclaimer

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